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1:15 p.m.

2011 City of San Jose Contract and Retirement Negotiations
Coalition – ABMEI, AEA/IFPTE Local 21, AMSP, CAMP/IFPTE Local 21, IBEW
February 23, 2011

PENSION REFORM PROPOSAL FOR NEW HIRES

In recognition of the significant macroeconomic impact to the Federated pension plan vesting from the Wall Street collapse and mortgage market fraud, the foregoing unions make the following proposals for changes in the retirement benefits for prospective employees.

Creating a new tier of benefits will lower the Normal Cost and permit recent and continuing market gains to offset the rise in unfunded actuarial accrued liability resulting from the foregoing described macroeconomic losses. This proposal addresses the overarching goal of the City Council for pension reform and Normal Cost for new hires within a range equivalent with Social Security payroll deductions.

The foregoing labor organizations and coalition propose the following retirement benefits changes for prospective employees only:

1. Retirement benefit formula 2% at age 60
2. Final average salary based on highest 36 months
3. COLA at 3% cap based on CPI
4. Vesting at ten years of service
5. Cost split 40% employees, 60% City
6. SRBR – 13th Check – not available for new hires

The total contribution of City and Employee cost will be 12.4% Normal Cost, with 40% Employee and 60% City responsibility.

Once the plan actuary confirms the cost, any difference between the actual cost (estimated at 11.2%) and the 12.4% would go to pay any future unfunded liability of either the first tier or second tier of the Federated Retirement System.

This Pension Reform Proposal for New Hires is one component of the Union's package proposal that will be taken in its entirety to the Membership addressing all outstanding issues.

The Union reserves the right to modify, edit or amend proposals during the course of negotiations.